

Report
of the
Hyderabad
State Life Insurance Fund
for the triennium
1348-1350 Fasli

(Corresponding to 1939-1941 A.D.)

With
The Valuation Report of the Consulting Actuary.

Hyderabad-Deccan
Government Central Press
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THE HYDERABAD STATE LIFE INSURANCE AND PROVIDENT FUND.

Managing Committee.

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NAWAB MAHDI YAR JUNG BAHADUR.

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2. THE ACCOUNTANT-GENERAL (*Ex-officio*),
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8. MR. AHMAD MOHIUDDIN.
9. MR. GHULAM MAHMOOD QURESHI.

Secretary:

DILSUKH RAM, B.A., LL.B., CHARTERED ACCOUNTANT,
OFFICER-IN-CHARGE, HYDERABAD STATE LIFE
INSURANCE FUND (*Ex-officio*).

Chief Medical Officer:

DR. V. R. GORAKSHAKAR, B.A., M.B., ch.B. (Edin.)

Consulting Actuary:

L. S. VAIDYANATHAN, ESQ., M.A., F.I.A., ACTUARY,
ORIENTAL GOVERNMENT SECURITY LIFE ASSUR-
ANCE CO., LTD., BOMBAY.

*Report of the Hyderabad State Life Insurance Fund for
the triennium 1348 to 1350 Fasli.*

While dealing with the report for the third Valuation of the Fund for the period 1348 to 1350 Fasli, it will be interesting to take a perspective of the affairs of the Fund with regard to various matters of particular importance dealt with in the former Valuation reports and also to consider the steps taken from time to time to remove the discrepancies that were existing at the first Valuation and to bring out as accurate data as could be obtained from the records of the Department.

Before the first Valuation for the period 1322 to 1344 Fasli, was taken up a temporary establishment consisting of 1 Superintendent, 2 Second Grade and 8 Third Grade clerks was entertained for a period of one year. The first step that was taken in this direction was to revise the proposals that were received and also to look into the files of such subscribers whose contributions were being credited for years, even though proposals were not received. Out of 38,511 proposals that were received from 1322 to 1344 F., 34,910 proposals were accepted and resulted into policies, 1411 proposals were rejected and 2145 proposals were cancelled, withdrawn or transferred to the Provident Fund and the remaining 45 proposals were transferred to the following years for disposal. (*Vide* Statement 1 and 1A page 10 of the first Valuation Report.)

Through a circular attention of the subscribers was drawn to submit proposals in respect of the contributions that were being deducted from their salaries after their appointments. So far as those subscribers were concerned who submitted proposals in compliance with this Circular, (Circular No. 51 dated 22nd Shehrewar 1347 Fasli Accountant General's Office) their proposals were disposed of in the manner mentioned above. But in respect of those subscribers who did not care to send proposals the Managing Committee through Resolution

No. 14 dated 9-5-1345 F. (11-2-1936) ~~stated~~ ^{solves} that such subscribers who were contributing regularly but had not contracted for a policy by submitting proposals and undergoing medical examination should be allowed an interest at $3\frac{1}{2}$ per cent. on their contributions accumulated to the end of 1344 Fasli provided they allow the amount to remain with the Fund till they complete their 55 years of age or prior death. This was quite fair for such subscribers. As for such subscribers who have allowed their contributions to remain in the Fund at $3\frac{1}{2}$ per cent. interest Rs. 82,000 are reserved with interest as at the end of 1350 Fasli.

With a view to furnish correct data on the Valuation cards and secondly to prepare an accurate balance sheet for Valuation new policy registers had to be written up as the old policy registers could not be relied upon. There were cases where more than one account was opened for the same subscriber. These double numbers had to be verified and rectified before the cards were written up. This itself took enormous time and a temporary staff as before had to be entertained for this work also for one year.

The Valuation cards could then be written up. Mr. L. S. Vaidyanathan was appointed as Consulting Actuary to the Fund and a fresh Valuation for the period 1322 to 1344 Fasli was taken up and entrusted to him in 1345 Fasli.

The first Valuation was completed and with the announcement of 2 per cent. simple reversionary bonus the following work had to be taken up:—

1. Payment of cash bonus to the policy-holders that had gone off the books during the period 1322 to 1344 Fasli either due to maturity, death or surrender of policies or their heirs.
2. Preparation of bonus certificates for policies that were current on that date.

This was another stage when a temporary establishment had to be entertained and this kept the office fully busy until the second Valuation in the year 1348 Fasli was taken up. The announcement of similar bonus as before was made in 1349 Fasli, and the respective bonus certificates were issued.

Going into the account side of the subscribers it was realised that the personal accounts of the subscribers were defective in several aspects. For instance there were lists of subscriptions not posted in the personal accounts of the subscribers during several years and secondly there were items shown on the records which were not credited to the subscribers. It was not possible to revise the personal accounts of the subscribers before the above two Valuations were taken up. Lists were, however, 'got ready and the amounts that could be reserved in respect of these discrepancies were set apart on the Revenue Account, and the following reserves were created in the Balance Sheet when the first Valuation was taken up.

Reserve for accumulation amounting to Rs. 86,000

Reserve for amount pending disposal 1 lac.

(vide statement 5 page 17 of the first Valuation Report.)

It was necessary to set apart subscribers to the old Family Pension Fund and the Provident Fund, and their liability, as at 1344 Fasli having been arrived at, the balance of the deposit was treated as the asset of the Insurance Fund. A Revenue Account was prepared with the above-mentioned Reserves for the purpose of the first Valuation of the Fund.

The Managing Committee accorded sanction to introduce loose-leaf ledger system in place of the existing unwieldy registers. Also another set of Valuation cards had to be prepared. A temporary establishment consisting of 1 Superintendent, 2 Second Grade and 11 Third Grade clerks was appointed in 1350 F. after the second Valuation was over for this purpose for a period of 16 months. The personal accounts of the subscribers that are current on the books were then scrutinised completely and loose-leaf sheets in respect of these subscribers were prepared by this staff. With the scrutiny of the personal accounts of the subscribers the reserves that have been made with regard to amounts unposted to subscribers have been carefully examined. The present Revenue Account will show that these huge reserves have very nearly been eliminated and during the next few months the amount that is being carried forward now will either be returned or will be absorbed in the personal accounts

of the subscribers. It may be pointed out that with the introduction of the loose-leaf system the internal check has been brought under control to such an extent that the new policy registers, the duplicate set of Valuation cards and the loose-leaf ledgers will be inter-connected in such a manner that it will be possible to keep the personal accounts of subscribers intact and also build up the incoming and outgoing business in such a manner that the Fund may reveal its position from day to day in an accurate way. The data thus brought forward and the system evolved will be helpful in keeping a control over the smallest detail in future which was not possible so far. It has been possible to prepare a Revenue Account and a Balance Sheet on a proper form this time and expenses of permanent nature incurred in connection with the steel almirahs and loose-leaf binders have been capitalised.

It is interesting to note that the policy-holders have maintained their earnestness for the increase in the voluntary contribution to the Fund and considering the strong position maintained by the Fund as revealed in the previous Valuation reports it has now been possible to remove the maximum limit of Rs. 75 p.m. towards individual contributions once for all and as advised by the Consulting Actuary subscribers are allowed to contribute to any extent towards the voluntary contribution to Insurance Fund provided, of course, they are medically fit to take policies to that extent. Rule 21 of the Hyderabad State Life Insurance Fund regarding the maximum limit of premium has therefore been deleted. Besides, the Government is pleased to bring into force a Family Pension Scheme wherein it is provided that the Government employees should be compelled to contribute to the extent of 6 per cent. of their salaries to which a 2 per cent. contribution will be added by the Government as a free gift, which will in all make up a 8 per cent. contribution for a Whole Life Policy which together with the accrued bonus thereon will be payable to the heirs of the deceased Government employees as a monthly pension, the widow being entitled to the pension for her lifetime and the other heirs nominated to receive the pensions until the period fixed by the policy-holders.

The second alteration made in the Rules relates to the

introduction of the system of paid-up policies. An addition has thus been made to Rule 22 by bringing in Rule 22 (d) where a policy-holder having retired is given the option either to continue his contributions up to maturity, to surrender his policy or to take a paid-up policy. Special facilities have been given to the military employees by providing a new Endowment Table maturing at age 50 for commissioned officers of the Military Department, and by allowing them to transfer their old policies under the new table by payment of extra premiums. Secondly, Provident Fund bearing interest has been reinstated for non-commissioned and sub-commissioned officers of the Military Department with the option to join Insurance Fund voluntarily. Further alterations and amendments in the Rules have been sanctioned by the Finance Department and the Managing Committee, and these have now been submitted for the sanction of the Government.

New Business.—The following figures relate to the business received during three years under report and as compared with 10,85,328 in 1345 Fasli, 13,21,118 in 1346 F. and 15,46,652 in 1347 Fasli, the figure for 1348 Fasli has been a record.

Year.	Proposals received.	Policies. issued.	Annual Premium.	Sum Assured.
1348 F.	.. 2696	2546	88,536	18,97,793
1349 F.	.. 2249	2100	74,628	16,01,722
1350 F.	.. 2387	2012	73,332	15,56,362

With the closing of the voluntary policies for military employees during the period of war, there was a sudden fall in the business in 1349 F. In keeping with the procedure of the insurance companies the following amendment to Rule 30 Hyderabad State Life Insurance Fund with regard to the employees in the military service has now been made:—

“Voluntary policies shall be issued to military men during the present war subject to the following conditions:—

If the death of the subscriber shall occur either directly or indirectly from any war (whether war be declared or not) the amount payable under a policy shall be limited to a sum being either (a) the total amount of pre-

premiums exclusive of extra premiums, (b) surrender value of the policy, either (a) or (b) whichever shall be greater.

The voluntary policies which will be issued to such officers in Civil Department as may offer their services for the war, will be treated under the above Rule."

Claims.—The following amounts were disbursed in respect of claims during the period:—

Year.	Maturity.	Death.	S.V. & P.V.
1348 ..	2,83,079-5-7	1,83,376-4-3	33,195- 4-3
1349 ..	2,50,364-1-8	1,81,119-6-6	31,013-14-2
1350 ..	3,01,943-3-5	1,82,923-2-4	22,564- 9-8

Rate of Bonus.—The Consulting Actuary in his report dated 2nd January 1940 recommended that a bonus at the rate of 2 per cent. per annum and an interim bonus at the same rate be declared. The Government was pleased to sanction the above recommendation. A statement showing the bonus disbursed during the triennium under report is attached.

Investments.—The amount invested during three years 1348, 1349 and 1350 Fasli under report are Rs. 3,45,078, 4,93,847 and 5,19,656 respectively.

Rate of Interest.—The rate of interest on the balance of the Insurance Fund in the Government Treasury has been maintained at 4 per cent. per annum since 42 F. when it was reduced from 5 per cent. to 4½ per cent. and then to 4 per cent. Thus the Fund has been earning an interest at the rate of 4 per cent. per annum on the balances in the Government Treasury since 1342 Fasli. The following interest was received during the three years on investments including the interest on 6 per cent. Government Promissory Notes amounting to Rs. 8,00,700:—

1348 F.	..	Rs. 4,39,040
1349 F.	..	Rs. 4,52,009
1350 F.	..	Rs. 4,71,515

Expenses.—Since 1347 Fasli the Fund has borne all the expenses excluding pensions, while before 1347 Fasli the Government used to bear all the expenses except the salary of the Officer-in-Charge of the Department and the temporary establishment that was entertained from

time to time from 1341 F. to 1347 F. for the purpose of the overhaul of the office, the payment of bonuses, and the distribution of bonus certificates.

Rate of Expenses.—The proportion of total Management Expenses incurred to total Premium Income during the last triennium including the expenses borne by the Government was 9.43 per cent. while during the current triennium the total expenses excluding pensions were borne by the Fund, and the proportion arrived at is 9.22 per cent. This includes the expenses incurred in connection with temporary establishment engaged during this period. If, such of the temporary establishment that was engaged for purposes of overhaul of the office is excluded as this will not be repeated in future the proportion of expenses in future should not exceed 9 per cent. The proportion of salaries to the premium income during the current triennium is 6.85 as compared with 6.67 for the last triennium and this includes the temporary establishment dealt with above.

Our thanks are due to Dr. V. R. Gorakshaker, B.A., M.B., Ch. B. (Edin.), the Chief Medical Officer of the Fund for his continued co-operation and to Mr. L. S. Vaidyanathan, M.A., F.I.A., Consulting Actuary for his technical advice from time to time and also for his co-operation and interest in the working of the Department, particularly, with regard to the revised rules and the new schemes submitted.

HYDERABAD STATE LIFE INSURANCE FUND.

Revenue Account for the triennium ending 30-12-1850 *Faski*.

Rs. As. Ps.	Rs. As. Ps.		Rs. As. Ps.	Rs. As. Ps.	Rs. As. Ps.
	92,44,900 11 1	By Claims paid :—			
		<i>Policy Amounts :—</i>			
46,000 0 0	..	A. Maturity ..	8,27,205 8 4		
1,07,000 0 0	..	B. Death ..	5,48,907 10 7		
82,000 0 0	..	C. S. V. & P. V.	82,557 3 5		
1,20,000 0 0	..	D. H 1 & H 2 cases	896 0 7	14,59,566 6 11	
7,50,000 0 0	..	<i>Bonus.</i>			
80,000 0 0		On claims arisen before 1844 F.	1,50,602 12 4		
	11,85,000 0 0	On claims from 1845 to 1847 F.	1,10,701 2 9		
	1,04,29,900 11 1	On claims during current triennium	4,47,285 14 10	7,08,539 18 11	
		<i>Other Payments :—</i>			
25,20,619 14 11	..	Provident Fund	..	57,264 9 8	
25,996 1 2	..	Excess	..	80,204 1 10	
88 11 2	..	Accumulation	..	5,494 6 8	
	25,46,704 11 3	Family Pensions	..	1,404 2 2	
	13,62,564 0 0		..	23,12,478 9 2	
		Less cheques cancelled		1,595 1 9	
	1,245 18 10	By Management Expenses :—			
		Salaries and Allowances	1,75,032 15 0		
		Actuarial and other Charges :—			
		Fees	5,250 14 0	..	
		Audit Fees. (F. D. Office).	450 0 0	..	
		Contingencies	15,514 14 8	..	
		Distribution of Bonus Certificates	630 5 11	..	
		Bonus to staff for 2 Valuations	6,691 0 0	..	
		Doctor's fees & Medicines	25,634 8 0	..	
		Rent	4,068 0 0	2,38,272 9 7	
		Less miscellaneous Receipts. (Fees for issuing duplicate policies)	..	477 1 2	
					2,32,795 8 5
		<i>By Depreciation.</i>			
		(a) Wooden furniture at 20 per cent. F. A.			
		For 3 years on Rs. 840	204 0 0	..	
		For 2 years on Rs. 191	76 6 5	..	

(Rees for issuing/ duplicate policies).		477	1	2	2,32,795	8	5
By Depreciation.							
(a) Wooden furniture at 20 per cent. P. A.							
For 3 years on Rs. 340 ..	204 0 0	..					
For 2 years on Rs. 191 ..	76 6 5	..					
For 1 year on Rs. 138-5-11	37 10 9	318	1	2			
(b) Steel Almirahs & cabinets at 5 per cent.							
For 2 years on Rs. 3,640	364 0 0	..					
For 1 year on Rs. 483 ..	24 10 5	388	10	5			
(c) Electric Fans at 15 per cent.							
For 3 years on Rs.216-11-0	..	97	8	2			
(d) L. L. Binders, Sheets & V. Cards at 10 per cent.							
For 2 years on Rs. 3,190-12-10 3/6.	..	638	2	7 3/6			
By Reserves :—							
A. F. F. Fund	40,000	0	0			
B. Provident Fund	1,28,000	0	0			
C. Accumulation	50,000	0	0			
D. Excess	82,000	0	0			
E. Claims & Bonus	5,50,000	0	0			
F. Amounts pending decision	50,000	0	0			
By Balance on 30th Aban 1350 Fash. (Life Insurance Fund)					
					9,00,000	0	0
					1,08,95,298	13	11 3/8
					1,43,40,415	4	2

1,442 6 4 3/6

<i>Reserves.</i> —							
A. Family Pension Fund	40,000	0	0	..	<i>Furniture.</i> —	Purchased in 1848 F.	240 0 0
B. Provident Fund	1,28,000	0	0	..	do	1849 F.	191 0 0
C. Accumulation	50,000	0	0	..	do	1850 F.	188 5 11
D. Excess Subscriptions	82,000	0	0	Less dep. at 20 per cent. per annum.	719 5 11
E. Claims & Bonus	5,50,000	0	0	..			318 1 2
F. Amount pending decision.	50,000	0	0	9,00,000 0 0			
				1,08,95,298 18 11 3/6	<i>Steel Almiraes & Cabinets.</i>	Purchased in 1849 F.	3,68 0 0
					do	1850 F.	493 0 0
						Less dep. at 5 per cent. per annum.	4,133 0 0
					<i>Electric Fans.</i> —	Purchased in 1848 F.	388 10 5
						Less dep. at 15 per cent. per annum	216 11 0
					<i>L. L. Binders, Sheets & Valuation Cards.</i> —	Purchased in 1849 F.	97 8 2
						Less dep. at 10 per cent. per annum	3,190 12 10 3/6
					<i>Investments.</i> —	6 per cent. N.G.P. Notes 1851 F.	638 2 7 3/6
					<i>Central Treasury.</i> —	(a) In Deposit Account	8,00,700 0 0
						(b) In Current Account	1,09,87,781 0 0
							0 6 6 3/6
				1,17,95,298 18 11 3/6			1,17,88,481 6 6 3/6
							1,17,95,598 18 11 3/6

401 4 9

3,744 5 7

119 2 10

2,552 10 2

1,17,88,481 6 6 3/6

1,17,95,598 18 11 3/6

HYDERABAD STATE LIFE INSURANCE FUND.

Statement showing Receipts, Payments and Balance for the triennium 1343 to 1350 Faski

Starting Balance	RECEIPTS			PAYMENTS			Excess of receipts over payments	Closing Balance
	Subscriptions	Interest	Total	Claims	Expenses	Total		
1,04,29,900 11 1	8,04,307 8 5	4,89,040 0 0	12,43,947 8 5	8,25,059 15 2	73,209 7 10	8,98,269 7 0	8,45,078 1 5	1,07,74,978 12 6
1,07,74,978 12 6	8,58,728 2 2 5/6	4,52,000 0 0	13,10,737 2 2 5/6	7,27,578 9 1	89,812 4 11 8/6	8,16,390 14 3/6	4,86,846 4 2 2/6	1,12,68,825 0 8 2/6
1,12,68,825 0 8 2/6	9,04,440 4 8 1/2	4,71,513 0 0	13,75,955 4 8 1/2	7,77,765 5 5	78,593 9 5	8,56,288 14 10	5,19,656 5 10 1/6	1,17,88,481 6 6 8/6
1,04,29,900 11 1	25,87,475 15 4	13,82,564 0 0	39,80,039 15 4	23,30,408 13 8	2,41,055 6 2 8/6	25,71,469 3 10 8/6	13,38,580 11 5 8/6	1,17,88,481 6 6 8/6

HYDERABAD STATE LIFE INSURANCE FUND

*Abstract of Interest earned and Investments made
during the triennium 1348 to 1350 F.*

Year	Interest earned	Total Investments
1348 F.	4,39,040 0 0	3,45,078 0 0
1349 F.	4,52,009 0 0	4,93,847 0 0
1350 F.	4,71,515 0 0	5,19,656 0 0
	13,62,564 0 0	13,58,581 0 0

HYDERABAD STATE LIFE INSURANCE FUND.

Abstract of Management Expenses for the triennium 1946 to 1950 Fash.

Year	Officer	Staff	Menials	Contingencies	Special charges	Rent	T.A.	Total	Debit Receipts	Total Expenses charged to the Fund	Pension borne by Government	Proportion of salaries and allowances to subscriptions
1	2	3	4	5	6	7	8	9	10	11	12	13
1946 Fash	8,605 0 0	42,760 14 8	1,760 9 0	5,609 11 11	13,390 5 11	864 0 0	..	73,460 9 6	280 1 8	73,204 7 10	5,904 0 0	6.78%
1949 "	9,025 0 0	48,273 11 10	2,086 1 0	4,184 8 10	24,514 2 13/8	864 0 0	469 9 8	69,457 1 5 3/8	144 12 6	69,512 4 11 3/8	8,779 0 0	6.94%
1950 "	9,445 0 0	50,387 3 10	2,180 13 0	5,122 4 0	9,130 7 7	2,340 0 0	..	73,605 12 5	72 3 0	73,569 9 5	6,390 0 0	6.87%
Total	27,075 0 0	1,41,421 14 4	6,026 7 0	14,926 3 9	47,504 15 7 3/8	4,068 0 0	469 9 8	2,41,392 7 4 3/8	477 1 2	2,41,055 6 2 3/8	21,373 0 0	..

Statement showing the Bonus disbursed during the triennium 1848 to 1850 Fasli.

Particulars	Maturity	Death	S. V. and P.V.	H1 H2	Total
Bonus paid in respect of claims arisen during the period from 1322 to 1344 Fasli. ..	37,769 3 5	82,397 1 1	28,169 5 1	2,267 2 9	1,50,602 12 4
Bonus paid in respect of claims for 1345 to 1347 Fasli ..	49,368 2 2	45,379 14 11	14,986 9 8	1,016 8 0	1,10,701 2 9
Bonus paid in respect of claims for 1348 to 1350 Fasli ..	3,00,102 0 4	1,15,941 2 7	24,466 6 6	6,726 5 5	4,47,235 14 10
Total ..	3,87,239 5 11	2,43,718 2 7	67,572 5 3	10,010 0 2	7,08,539 13 11

The following Bonus is yet to be disbursed :—

1. Bonus payable in respect of claims arisen to the end of 1347 Fasli ..	1,77,488 15 11
2. Bonus payable in respect of claims arisen during the current triennium under report	85,017 0 10
	<hr/> 2,62,501 0 9 <hr/>

6th Shehrewar, 1451 F.

Date 12th July, 1942.

DILSUKH RAM,
Secretary, Hyderabad State Life Insurance Fund.

ACTUARY'S REPORT.

Bombay, 22nd August 1942.

FROM

L. S. VAIDYANATHAN, ESQ., M.A., F.I.A.,
CONSULTING ACTUARY, ORIENTAL LIFE OFFICE,
BOMBAY.

TO

THE MEMBERS OF THE MANAGING
COMMITTEE

HYDERABAD STATE LIFE INSURANCE FUND,
H.E.H. the Nizam's Government,
Hyderabad-Deccan.

GENTLEMEN,

I have conducted an actuarial investigation into the affairs of the Hyderabad State Life Insurance Fund as at 30th Aban 1350 Fasli and have the honour to set forth below the results thereof.

MORTALITY INVESTIGATION.

As on the previous occasions, I have made an investigation into the mortality experienced by the members of the Fund during the three years covered by the period under report. The mortality of Muslims and Hindus was investigated separately and the results thereof are

set out in tabular form hereunder:—

TABLE I.
Muslim Males.

Age Group	Exposed to risk	Actual Deaths	EXPECTED DEATHS BY		
			OM(5) TABLE WITH A RATING UP OF		Oriental's 1925-35 Ultimate Experience
			1 year	5 years	
— 25 ..	1,309	7	9.0	9.6	5.6
26—30 ..	5,043	29	37.3	40.6	22.8
31—35 ..	8,140	33	66.6	74.7	41.7
36—40 ..	8,943	75	85.0	99.0	60.2
41—45 ..	7,740	85	88.6	107.3	76.2
46—50 ..	6,098	98	88.9	111.5	93.7
51—55 ..	2,880	75	54.3	70.2	66.7
Total ..	40,153	407	429.7	512.9	366.9
Actual Deaths		}	95%	79%	111%
Expected Deaths					

TABLE II.

Hindu Males.

Age Group	Exposed to risk	Actual Deaths	EXPECTED DEATHS BY		
			OM(5) TABLE WITH A RATING UP OF		Oriental's 1925-35 Ultimate Experience
			1 year	5 years	
—25 ..	471	4	3.2	3.5	2.0
26—30 ..	2,160	8	15.9	17.4	9.8
31—35 ..	3,372	19	27.4	30.8	17.1
36—40 ..	3,954	38	37.5	43.8	26.6
41—45 ..	3,367	44	38.7	46.7	33.3
46—50 ..	2,798	53	40.8	51.2	43.1
51—55 ..	1,317	49	24.8	32.3	30.5
Total ..	17,439	215	188.3	225.7	162.4
Actual Deaths		}	114%	95%	132%
Expected Deaths					

(i) *Muslims.*—Taking first the mortality of Muslims, it will be seen that the percentage of actual deaths to deaths expected on the basis of the O M(5) Table with a rating up of one year, the same Table with a rating up of 5 years, and the Oriental's mortality experience for the period 1925—35, were 95 per cent., 79 per cent., and 111 per cent., respectively. The corresponding figures for the period covering the last Report were 91 per cent., 77 per cent. and 110 per cent. This shows that the mortality of Muslims during the triennium under consider-

ation has slightly deteriorated, but it has to be remembered that for the First Valuation period the corresponding figures were as high as 99 per cent., 86 per cent., while the third figure was not then available, as the Oriental's mortality investigation for the period 1925—35 had not then been completed.

The slight deterioration of mortality need cause no alarm, and one could naturally expect temporary fluctuations, especially when mortality is investigated over such short periods as three years. The observation made in the last Report that on the whole the mortality experienced by the assured lives in Hyderabad State is somewhat heavier than that experienced by the assured lives in India generally is again borne out by the results of this investigation.

(ii) *Hindus*.—Taking the mortality of the Hindu lives assured, the actual deaths during the triennium under consideration were 114 per cent., 95 per cent. and 132 per cent. of those expected according to the O M(5) Table with a rating up of one year, the same Table with a rating up of 5 years, and the Oriental's mortality experience for the period 1925—35 respectively. The observation made above in connection with the mortality of Muslims is also substantially true here, as the triennium under consideration has indicated a somewhat deteriorated mortality amongst Hindus as in the case of Muslims. I have once again to observe that the fluctuations are not such as to cause any alarm.

Taking the two periods together and the two communities together, it will be found that in adopting in the Valuation the O M(5) Table with a rating up of 5 years to the age one would leave the reserves, so far as mortality is concerned, on the side of safety.

RATE OF INTEREST.

As the Government of H.E.H. the Nizam have been graciously pleased to allow 4 per cent. on the balances standing to the credit of the Life Assurance Fund, I have adopted, as on the last two occasions, $3\frac{1}{2}$ per cent. as the rate of interest in the Valuation, thereby reserving a $\frac{1}{2}$ per cent. margin between the earned rate and the Valuation rate, so that 'surplus' traceable to the source of interest may be released.

RATE OF EXPENSE.

The amount debited to Management Expenses during the triennium under report is Rs. 2,33,272-9-7 against the premium income of Rs. 25,46,704-11-3, giving an expense ratio of 9.2 per cent. to the premium income. The corresponding expense ratio for the last triennium was 4.7 per cent., as all the expenses excluding the salary of the Officer-in-Charge and the temporary establishment were borne by Government till the end of 1346 Fasli. The expense ratio for the last triennium would have been 9.4 per cent., if all the expenses had been borne by the Fund. It will thus be seen that the expense ratio has in effect been slightly reduced during the triennium under consideration to 9.2 per cent. from 9.4 per cent. applicable to the previous one. The Department expects that the expense ratio will not exceed 9 per cent. in the future. I have, however, as on the last occasion, reserved 25 per cent., as loading margin in the Valuation to provide for Surplus being released traceable to the third important source, Loading.

RESULTS OF THE VALUATION.

The results of the Valuation are set out hereunder:—

TABLE III.

	Rs.
Number of Lives Assured	20,109
Total Sums Assured	2,14,07,049
Total Existing Bonus	33,96,691
Total Annual Premiums receivable ..	9,05,714
Value of Sums Assured	1,36,35,220
Value of Existing Bonus	24,99,794
Value of Annual Premiums	89,69,473
Value of 75 per cent. of Annual Premiums being net premiums valued	67,27,105
Net Liability being Value of Sums Assured plus Amount required to eliminate negative reserves and Provision for immediate payment of Claims less Value of Net Premiums	94,48,087

TABLE IV.

Valuation Balance Sheet.

	Rs.		Rs.
To Net Liability under Life As- surance Con- tracts, as shown in Table III above ..	94,48,087	By Life Assurance Fund after meet- ing the Liabili- ties with respect to other funds ..	1,08,95,299
To Surplus ..	14,47,212		
Total ..	1,08,95,299		1,08,95,299

Although the funds on the Valuation date show a total of as much as Rs. 1,17,95,299 an amount equal to Rs. 9,00,000 of the above has to be reserved for the liabilities incurred by the Fund under certain heads, and the balance to the credit of the Life Assurance Fund which can be brought in the Valuation Balance Sheet is only Rs. 1,08,95,299.

In arriving at the total Surplus disclosed as a result of the operations of the Fund during the triennium under consideration, we have to add to the figure of Rs. 14,47,212 shown in Table IV the two sums of Rs. 25,968 and Rs. 16,533, making up Rs. 42,501 in all, which represent interim bonuses paid on policies that became claims by maturity and by death respectively during the triennial period. Adding this amount of Rs. 42,501 to the Surplus as shown in Table IV, we arrive at the total figure of profit for the triennium of Rs. 14,89,713. The amount, however, available for distribution amongst policy-holders whose contracts were current as on the date of Valuation, viz., 30th Apan 1350 Fasli, is only the sum of Rs. 14,47,212 as the interim bonuses have already been paid.

In providing for the liability with respect to business current on the Valuation date, a new item called "Immediate Payment of Claims" has been provided for on this occasion, and this requires a little explanation. The Valuation formula adopted for arriving at the liability

of the Fund to policy-holders assumes that, after a claim arises by the death of a policy-holder a period of about six months on the average would elapse before the claim is settled. This, of course, is too long a period between the date of death and settlement and it is recognised that unless allowance is made for the payment of the claim by death earlier than six months, the liability arrived at would be understated. In the New Insurance Act, 1938, this has been recognised and the Actuary is definitely asked to state what provision he has made for this aspect, thereby enjoining on him indirectly the necessity for making a provision under this head. Even before the passing of this Act, although no specific instruction was given to the Actuary to provide for the liability under this head, yet it was assumed that he, on the basis of the general strength of the Valuation, would decide whether this liability has to be specifically provided for, or whether the strength of the Valuation is such as to include liability under this head indirectly in the reserves brought out. So far as the Hyderabad State Life Insurance Fund is concerned, I have thought it best to provide on this occasion a reserve under this head which amounts to Rs. 40,178 and which allows for payment of claims by death at the end of four months on the average after death arises instead of at the end of six months assumed by the Valuation formula. I realise that in the case of a fund of the type of the Hyderabad State Life Insurance Fund, where there would be no complications with regard to the proof of death, submission of title, etc., as in the case of a private company, and where the lives assured have further ties with Government than merely through the medium of policies, claims would be settled sooner than even four months but the stringency of the Valuation adopted in other directions is such as to allow for this additional liability at least on this occasion.

RECOMMENDATIONS FOR DECLARATION OF BONUS.

As explained above, the balance of Surplus available for distribution is Rs. 14,47,212. The cost of a simple reversionary bonus of 2 per cent. per annum for the triennium is Rs. 7,50,596. If, however, the simple reversionary bonus is reduced to 1.75 per cent., the cost would be Rs. 6,56,774 while if it is reduced to 1.5 per cent., the cost would be Rs. 5,62,949.

In this connection, I would like to make a few observations as regards the rate of bonus to be declared. In connection with the last two Valuations, I recommended a bonus of 2 per cent. per annum being declared, as the Fund had the advantage of the high rate of interest graciously allowed by H.E.H. the Nizam's Government not only on the Life Assurance Fund but also on the bonuses withheld from distribution which accrued from time to time till they were first distributed as a result of the Valuation conducted by me as at 30th Aban 1344 Fasli. I think the time has now arrived when the lives assured should be asked to focus more attention on the protection provided by the sum assured than by pinning too much faith on the bonuses. It might be within the knowledge of the Managing Committee that, as a result of the abnormal conditions through which the entire world is passing almost all the companies in Great Britain, as a measure of prudence, have voluntarily passed bonus, declaring only interim bonus with respect to policies that become claims by death or by maturity, although surpluses have been disclosed as a result of periodical Valuations. Even in India, a strong move has been set on foot in which the Central Government also has evinced interest to induce Life Assurance Companies to conserve their resources and pass the bonus during the period of the War and for at least one year thereafter as a measure of precaution.

I therefore respectfully submit for the consideration of the Managing Committee to keep at the back of their minds the feelings as regards declaration of bonus that exist in the minds of those responsible for the conduct of the affairs of Life Assurance Companies both in Great Britain and in India in arriving at the rate of bonus to be declared. I am conscious that the conditions that obtain with respect to private insurance companies, whose main problem is that of investment, do not obtain so far as the Hyderabad State Life Insurance Fund is concerned, as Government have taken over the entire responsibility for investment and allow 4 per cent. interest on the balances to the credit of the Fund from time to time. But with respect to other matters particularly mortality, the Hyderabad State Life Insurance is on all fours with other funds and this is also a point for the Managing Committee to bear in mind, especially as the result of the

Mortality Investigation during the triennium under consideration indicates that mortality has practically stabilised itself at something like 118 per cent. of the mortality experienced by the lives assured with the Oriental for the decade 1925-35, taking both the communities together. This is slightly higher than the mortality experienced by the general class of lives assured at least with the Oriental and may probably be due to the strict selection enforced by this Company when lives are accepted for assurance. Such a strict selection is, however, not necessary where people in a particular service are compulsorily insured, but all the same the fact is there that under the head of mortality the Hyderabad State Life Insurance Fund has not the same large advantage as it has on the side of a steady and undiminished interest income without any risk of depreciation of capital. Taking all factors into account, I am of the opinion that it would be advisable to take a somewhat cautious view of the future.

I shall now look at the whole question of bonus distribution from another angle with a view to finding out the actual bonus earning capacity of the Fund on the basis of the interest income, loadings contained in the office premiums and mortality. There is a margin of $\frac{1}{2}$ per cent. between the actual rate of interest allowed by H.E.H. the Nizam's Government and the Valuation rate and this would provide a bonus of about $\frac{3}{4}$ per cent. per annum. Under the head of Mortality, generally speaking, in the case of Endowment Assurances maturing at age 55, there would be very little profit to look for, and in the case of Hyderabad State Life Insurance Fund which, as observed above, experiences slightly higher mortality than that to which the lives assured with the Oriental are at any rate subject, it will be somewhat less and I do not think the bonus traceable to the source of mortality would be more than $\frac{1}{4}$ per cent. Under the head of Loading, whereas the Valuation reserves 25 per cent. of the premiums, the actual expenses are in the region of 10 per cent. and this would provide a bonus of about $\frac{1}{2}$ per cent. Taking all the factors together, the actual bonus earning capacity of the Fund is only about $1\frac{1}{2}$ per cent. and this, it will be found, would be the bonus the Fund could afford to distribute from Valuation to Valuation after the Fund has reached a stationary condition,

i.e., when the time has arrived when the advantages that accrued in the past due to withholding of bonuses which have earned high rates of interest munificently allowed by Government have been exhausted. My own view, therefore, is that we commence from now to face the real facts and declare only as much bonus as the Fund is capable of earning and would continue to earn. If this recommendation is adopted, it would mean that we should declare a bonus of 1.5 per cent. only per annum absorbing Rs. 5,62,949 of the surplus available for distribution, leaving Rs. 8,84,263 to be carried forward which will be a sort of buffer protecting the Fund against any adverse experiences. If, on the other hand, it is decided by the Managing Committee to slowly step down the bonus to the ultimate figure of 1.5 per cent. and declare on this occasion 1.75 per cent. the cost of this bonus would be Rs. 6,56,779 and there would be Rs. 7,90,433 to be carried forward. If a 2 per cent. per annum simple reversionary bonus is declared, costing Rs. 7,50,596 the carry forward would be Rs. 6,96,616.

I have gone into the question of bonus declaration at great length so as to enable the Managing Committee to arrive at a decision with regard to the rate of bonus to be declared bearing in mind the point I have stressed herein. I have, however, indicated my strong preference for 1.5 per cent. per annum or 1.75 per cent. per annum on this occasion.

I also recommend that interim bonus at the same rate as the bonus that would be finally decided upon by the Managing Committee be allowed on all policies that go off the books by death or by maturity between 1-1-1350 Fasli and the next Valuation date, *viz.*, 30th Aban 1353 Fasli, except that if in spite of what has been detailed above the Managing Committee decide on declaring 2 per cent. simple reversionary bonus on this occasion also, the interim bonus may, at any rate, be fixed at not more than 1.75 per cent.

I cannot close this report without recording my appreciation of the great accuracy that has characterised the data that were supplied to me in connection with the Valuation which has been progressively improving from triennium to triennium during the three occasions I have

been associated with the Fund and no small credit is due to the Officer-in-Charge and his assistants for maintaining the records relating to the Fund on the lines conveyed to him both personally during my periodical visits to Hyderabad and by correspondence.

I have once again to offer my sincere thanks to the Government of H.E.H. the Nizam for having done me the honour of entrusting this Valuation to me.

I beg to remain,

Gentlemen,

Your most obedient servant,

(Sd.) L. S. VAIDYANATHAN,

Consulting Actuary.

Hyderabad-Deccan, dated 22nd October 1942.

FROM

L. S. VAIDYANATHAN, M.A., F.I.A.,

Consulting Actuary.

TO

THE OFFICER-IN-CHARGE,

HYDERABAD STATE LIFE INSURANCE FUND,

Hyderabad-Deccan.

DEAR SIR,

My Report in connection with the Valuation of the Hyderabad State Life Insurance Fund as at 30th Aban 1350 Fasli, has set forth in detail my recommendations as regards the reduction of bonus from 2 per cent. to 1½ per cent. Since the writing of the above Report I have had the advantage of an interview with the Hon'ble the Finance Member this morning at which you were present when he stated that the Government has made up its mind to allow only 3½ per cent. interest on the balances standing to the credit of the Fund thereby reducing the rate of interest allowed by Government by ½ per cent. Bearing in mind that the rates of premiums under which the Fund is functioning have been calculated on 3½ per cent. interest basis, it would be evident that the chief source of Bonus, viz., that provided by what is called interest margin would be entirely eliminated. With therefore the existing rates of premium the Fund can only look to bonus traceable to loading (saving in expenditure) and that due to favourable mortality. The latter however on the basis of the experience of the Fund just analysed could not be entirely depended upon. I, therefore, recommend that the rate of bonus declared on this occasion be reduced to 1 per cent. To be able to maintain

even this rate of bonus the rates of premiums to new entrants will have to be recalculated on 3 per cent. or at the most $3\frac{1}{4}$ per cent. basis. I hope you would take immediate steps to have the rates of premium recalculated either on 3 per cent. or $3\frac{1}{4}$ per cent. interest basis after ascertaining the wishes of the Managing Committee and make the new rates of premium applicable to new entrants commencing from as early a date as possible. The new rates of premium will continue in operation so long as the Government of H.E.H. the Nizam are pleased to allow $3\frac{1}{2}$ per cent. interest on the balances standing to the credit of the Fund.

Yours faithfully,
(Sd.) L. S. VAIDYANATHAN.

